

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Docket No. R-2010-2161694

PPL Electric Utilities Corporation

Statement No. 3

Direct Testimony of Gary L. Banzhoff

1 **Direct Testimony of Gary L. Banzhoff**

2 **Q. Please state your name and business address.**

3 A. Gary L. Banzhoff, Two North Ninth Street, Allentown, Pennsylvania 18101.

4
5 **Q. By whom are you employed and in what capacity?**

6 A. I am employed by the PPL Services Corporation ("PPL Services") as Director-
7 PA Delivery Accounting.

8
9 **Q. What are your responsibilities as Director-PA Delivery Accounting?**

10 A. I am responsible for PPL Electric Utilities Corporation's ("PPL Electric")
11 accounting, including the recording of financial transactions in accordance with
12 generally accepted accounting principles and regulatory requirements, and for
13 the preparation of regulatory financial reports.

14
15 **Q. What is your educational background?**

16 A. I received a Bachelor's Degree in Business and Economics from Lehigh
17 University in May 1975 and a Master of Business Administration Degree from
18 Lehigh University in January 1983.

19
20 **Q. How long have you been employed by PPL Corporation ("PPL"), the
21 parent of PPL Electric, or a subsidiary of PPL, and in what capacities?**

22 A. I began my employment with the former Pennsylvania Power & Light Company,
23 PPL Electric's predecessor, in September 1975 as an Accountant in the
24 Financial Planning and Reporting Department and remained there for eight

1 years, progressing to the position of Senior Accountant. My responsibilities
2 included the completion and filing of various financial reports, including the
3 Annual Report to Shareowners, Forms 10-K and 10-Q for the Securities and
4 Exchange Commission and the FERC Form No. 1. In 1983, I transferred to
5 General Accounting where I subsequently was promoted to Accounting Analyst
6 and Supervisor – General Accounting. In General Accounting, I was
7 responsible for the maintenance and closing of PPL Electric’s books and
8 records and accounting research. Through my experience in the General
9 Accounting and Financial Planning and Reporting Departments, I was able to
10 develop a thorough knowledge of accounting and reporting concepts applicable
11 to the electric utility industry in general and PPL Electric in particular. In April
12 1991, I was promoted to the position of Manager-Financial Administration
13 where I was responsible for the budgeting and administrative activities of the
14 Financial Department. In October 1993, I assumed the position of Continuous
15 Improvement Manager-Financial where I was responsible for implementing and
16 tracking the total quality management activities of the Financial Department. In
17 January 1995, I was promoted to Manager-Compensation in the Human
18 Resources Department. In March 1998, I transferred to the Retail Energy
19 Services Group as Manager-Development, where I was responsible for the
20 human resources activities of that group. In December 1998, I assumed the
21 position of Director-Business Services in the Energy Services Group, where I
22 was responsible for the budgeting and financial reporting for the group. In May
23 2003, I was promoted to Controller-PPL Energy Services, where I was
24 responsible for the budgeting, accounting, financial reporting and administration

1 of the Mechanical Contracting and Renewable Energy groups. In August 2006,
2 I assumed the position of Financial Director-Energy Services Group. In this
3 position, I was responsible for the budgeting, accounting and financial reporting
4 for the mechanical contracting, renewable energy and development groups. In
5 June 2008, I assumed my current position of Director-PA Delivery Accounting.
6
7

8 **Q. What is the purpose of your testimony?**

9 A. My testimony will describe the derivation of data used to calculate financial
10 results for the historic test year ended December 31, 2009.
11
12

13 **Q. Mr. Banzhoff, are you sponsoring any exhibits in this proceeding?**

14 A. Yes, I am sponsoring portions of Exhibit Regs., Part II-Primary Statements of
15 Rate Base and Operating Income, Part III-Rate of Return and Part VI-
16 Unadjusted Comparative Balance Sheets and Operating Income Statements.
17

18 Exhibits Historic 1 and Future 1

19 **Q. Are you sponsoring any schedules in Exhibit Historic 1?**

20 A. Yes. I am sponsoring the following: Schedules B-1, B-2, B-3 and B4 of Exhibit
21 Historic 1.
22

23 **Q. Mr. Banzhoff, would you describe the material presented on Schedules B-**
24 **1 through B-4 of Exhibit Historic 1?**

1 A. Schedule B-1 shows the balance sheet of PPL Electric, excluding all its non-
2 regulated subsidiaries, at December 31, 2009, which includes the assets and
3 liabilities related to the electric utility operations and investments in non-utility
4 property.

5 Schedule B-2 is a statement of electric utility operations showing the
6 operating revenues and expenses and income for the year ended
7 December 31, 2009. Electric operating revenues shown on this schedule are
8 set forth by source in Schedule B-3.

9 Schedule B-4 provides the operation and maintenance expenses of the
10 electric utility operations by detailed accounts, including the major categories of
11 expense: power production, transmission, regional market, distribution,
12 customer accounts, customer service and informational, sales, and
13 administrative and general. The expenses in the power production category
14 represent the cost of purchased power and include, among other items,
15 purchases to meet Provider of Last Resort ("POLR") requirements and
16 purchases from non-utility generation companies. Power production costs are
17 not germane to the determination of distribution revenue requirements in this
18 filing.

19 All the data shown in Schedules B-1 through B-4 were taken from the
20 books and records of PPL Electric, excluding all its non-regulated subsidiaries,
21 for the 12 months ended December 31, 2009.

22 **Q. Please describe the source and method used to establish the book cost of**
23 **plant shown in the accounts of PPL Electric.**

1 A. The accounts of PPL Electric are kept in accordance with the Uniform System
2 of Accounts prescribed by the PUC and the Federal Energy Regulatory
3 Commission ("FERC") for Electric Utilities and Licensees. In several orders
4 issued at Docket No. E.O.C. 34, the last dated December 30, 1947, the PUC
5 determined the original cost of PPL Electric's plant as of November 30, 1947.
6 Since that time, PPL Electric has recorded its plant transactions in accordance
7 with the Commission's required system of accounts. PPL Electric's books,
8 therefore, reflect the original cost of its plant at December 31, 2009.

9

10 **Q. Are these accounts audited?**

11 A. They are audited annually by an independent certified public accounting firm.
12 In addition, the FERC and PUC audit staffs conduct periodic audits.

13

14 **Q. How do you determine that all property reflected in Account 101, Plant in**
15 **Service, as shown on page 1 of Schedule B-1, is actually in service?**

16 A. The Asset Management Section of PPL Services maintains Fixed Asset
17 Records for PPL Electric in an Asset Management System, which sets forth the
18 detail of all property in service. The total dollar value of the Continuing Property
19 Records in the Asset Management System is reconciled monthly to the balance
20 in Account 101.

21 The Uniform System of Accounts requires that utilities record all
22 construction and retirements of electric plant by means of work orders or job
23 orders. In addition, the work order system must show the nature of each

1 addition to, or retirement from, electric plant, the total cost thereof, and the
2 plant account or accounts affected.

3 PPL Electric has maintained such a work order system since the
4 establishment of its Continuing Property Records system. Under this system,
5 an authorized capital work order is used for all work performed.

6 When any unit of property is taken out of service permanently, PPL
7 Electric personnel record the removal under a work order and transmit that
8 information to the Asset Management Section, where the necessary retirement
9 accounting entry is made. Because many retirements can occur in connection
10 with capital improvement projects, the retirement work is part of a construction
11 authorization.

12 Costs of new construction are reported by work order number and the
13 Asset Management System accumulates, by work order, all costs associated
14 with a specific job, as well as the appropriate retirement unit and utility account.
15 At the completion of the job, PPL Electric personnel update the work order
16 status to indicate the work order is in service. This status change also is
17 reflected in the Asset Management System. Based on this information and the
18 costs accumulated under the work order, the property constructed is recorded
19 in appropriate detail on PPL Electric's Continuing Property Records. With this
20 system and its supporting detail, the costs comprising the total value of any
21 item recorded as Plant in Service can be fully supported and verified.

1 Q. Does this conclude your direct testimony?

2 A. Yes, it does.